

Testimony of William R. Litzler  
Chairman, C.A. Litzler Co., Inc.  
(Subsidiary – Quickdraft Corporation in Canton, Ohio)  
before the Subcommittee on Commerce, Justice and State  
May 22, 2003

We are a diversified small Northern Ohio company that designs and builds Capital Equipment for a variety of industries. We are a family owned company that is now in our third generation of ownership and management. We recently celebrated our 50<sup>th</sup> year in business.

C. A. Litzler is made up of three separate operational units:

- Quickdraft Corporation is in Canton Ohio with 50 employees. It was founded in 1953 and we purchased it in 1979. Quickdraft designs and builds pneumatic conveying systems and specialized ventilation systems.
- C.A. Litzler Co. Inc. is in Cleveland Ohio with 45 employees. It was founded by my father in 1953. We design and build specialized oven and processing systems.
- PSC is in Euclid Ohio and has 9 employees. It was founded in 1969 and we purchased it in 1999. PSC designs and builds specialized Radio Frequency (RF) drying systems.

Overall, we employ skilled engineers and assembly technicians, and our work force is very dedicated, with low turnover. We have an energetic younger management generation in all three companies and are aggressively seeking growth opportunities.

Up through the late nineties, all three companies enjoyed profitable and steady growth. Since then we have had lower sales volume and lower employment. The three companies serve separate customers with very little overlap. We work hard to maximize cross company exposure.

All three companies have limited fabrication facilities and we rely on local sheet metal and welding shops in our area for most of the actual manufacturing. We do system assembly, piping and electrical wiring in our facilities.

Our team of valuable suppliers is all facing falling revenue and lower employment. Many of these suppliers in the North Eastern Ohio area have gone from 2 or 3 shifts to one shift with fewer people per shift. Some have basically given up or just keep a skeletal staff.

We regularly export our equipment to Europe, Asia and South America. We are not just sitting on our hands waiting for the economy to improve. We build specialized production equipment for the following industries on a global basis:

- Industrial/specialty Textiles

- Non Woven
- Paper
- Paper/film foil converting
- Fiberglass/ceramics
- Carbon fiber/composites
- Electronics materials
- CRT (television)
- Rubber/plastic molding

We have observed that all of these industries, in varying degrees, have maintained or reduced their USA production and thus their need for added capacity. In many cases foreign competition has essentially replaced American manufacturing which has in turn jeopardized American capital equipment makers. Capital equipment makers are a mainstay of our industrial sector. However, a very large number of American equipment suppliers like us are just gone.

The following provides some examples of what we have observed in serving these industries:

- The American Textile industry is declining rapidly. Textile equipment makers are now primarily European and Asian, and in most cases, textile production has either moved or is being outsourced offshore.
- There has not been a paper mill expansion in the USA in the past 5 years because of major imports from Asia. There are NO paper machine builders from any country left in the USA. About five years ago there were 4-5.
- We supplied large oven systems for RCA in the USA and Poland. Now Thompson of France owns them and they have closed three quarters of the North American plants.
- Rubber and tire equipment makers used to dominate technical employment in the Akron area. Now there are only a handful and they are remnants of the past. In the late 70s we were one of about ten local Akron/Cleveland American companies supplying equipment for international tire plants for General Tire. We may be the only independent supplier left and General Tire is now Continental of Germany, headquartered in Charlotte.
- The Printed circuit Board Industry is now almost totally Asia and foreign-based. Numerous American plants have been shuttered in the past 2-3 years. There is only one American owned company left in the Industrial laminates business. Related to this, I'm personally aware of a company that has just closed their plant in McConnelsville Ohio to consolidate it with their Arizona plant.

- Tooling and dies are now being imported 80% complete from China and then finished here. Three major mold shops have closed in the Akron/Cleveland area in the past few years and several more are hanging on and changing owners.
- Structural and civil engineering is being outsourced in India and Asia and then downloaded via the internet overnight to consolidating shops in the USA for review with the U.S. end-user the next day. For example, we recently received a contract from a large American company for a conveyor system for a new plant in the USA. All the HVAC and structural steel engineering and drawings were done in India. This didn't affect us as a company but it impacts us as a country.
- We have exhibited in 7 domestic trade shows this year and every one had a significant drop in attendance and exhibitors. Four additional shows had large increases and they were in China, Frankfurt, Moscow and Vietnam. The China show was for Printed Circuit boards and the other three were industrial textile.

The Internet and rapid communications make it easier to outsource complex manufacturing and engineering at much lower costs. Banks, credit card companies and accounting firms have set up "back room " operations over seas and communicate via the Internet.

North Eastern Ohio manufactures are down and discouraged. Most of them have been badly hurt by their customers' over-capacity and greater use of offshore production. Many of these manufacturers have just closed or reduced their work force to survive as there is just much less work to be done. This is not direct foreign competition to our company but it has the same overall dampening effect. There has always been international competition and we have all dealt with it. Now it is far more widespread and includes high tech labor and engineers.

It is almost as if the United States has quietly decided NOT to do any more manufacturing. We seem content to be a nation of finance companies, lawyers, doctors and educators who rely on imported goods to satisfy day to day needs.

Collective and intelligent solutions need to be discussed and implemented that help maintain our previous strong manufacturing base. Our tax policies need to encourage investment in capital equipment and productivity. Our depreciation schedules for capital investments are among the worst in the world. Our tax schedule favors consumption and not savings or investments in our productive future.

American manufacturers need to be competitive and creative in order to survive and thrive. American economic well being depends on our manufacturing base.

We are improving our business with the help of the Manufacturing Extension Program, through our local MEP center, CAMP Inc. The federal seed money for the MEP centers helps to fund initial studies and sales efforts to assist companies such as ours to see the value in lean manufacturing. Our company read about, and heard about lean for several

years but couldn't understand it enough to just blindly do it since it is expensive and disruptive to company mindsets. CAMP helped us understand it and implement it.

How does MEP help us?

- We undertook to improve our manufacturing capability to assist in lowering our costs while streamlining our various production processes.
- Production has changed from batch process to continuous processing which reduced our inventory by about 40% and maintained our lead-time.
- This change forced us to review our set-up times and product designs which brought about simpler designs and easier production methods.

Other issues facing small manufacturers:

Estate tax uncertainty and confusion dramatically increase legal and insurance costs while trying to provide for company continuity within the family.

Many small manufacturers face Class action asbestos litigation since we are still in business and all the original asbestos producers are bankrupt. For example, one small Northern Ohio manufacturer is facing over 45,000 (yes 45,000) lawsuits for use of asbestos in safety clothing years ago. He is in bankruptcy and it has cost his company hundreds of thousands of dollars and totally handcuffed his company management and ability to grow. The cases are pure paperwork gamesmanship based on the technique of Mass torts and class action lawsuits. Our company has hundreds of asbestos related lawsuits on equipment supplied in 1963 that has been out of service since 1975. We aren't even sure there is any asbestos used but we are named because no one else was left to sue and we have some insurance.

These types of suits are horrendous to the small manufacturer because there is no winning and they don't stop until the insurance is gone. At that point they attack the company assets. Ample studies have been done to trace and discuss the impact of these suits on the economy but little has been done to understand the impact on a small business.